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To

The Secretary to the

Hon'ble the Resident in Mysore.

Sir,

I am directed to acknowledge the receipt of your confidential letter No. 2534/221 dated the 7th May 1923 conveying the orders of the Government of India on my letter No. 455 dated the 15th October 1920 on the subject of the Surplus Revenues of the Bangalore Assigned Tract.

His Highness's Government desire to express their acknowledgements for the payment, since my letter of the 15th October 1920 was written, of a sum of Rs. 13¼ lakhs out of about 34 lakhs of the surplus revenues withheld till the end of 1920-21, as well as of the whole of the surplus of the year 1921-22. I am also to state with reference to para 8 of your letter that His Highness' Government fully appreciate the reasons which weighed with the Government of India to finally decide to withdraw from their previous offer to come to a compromise by agrreing to make an annual lump sum payment of Rs. 4 lakhs, irrespective of the actual surplus that may accrue in any year whether it should be more or less than Rs. 4 lakhs.

Turning now to the orders of the Government of India communicated in your letter under reply, His Highness's Government are in agreement with the principle enunciated that the surplus revenue they are entitled to receive is what remains after the administrative needs of the Station have been met, but in accepting this

principle, they trust that in the first place, the Government of India will agree with them that the administrative needs referred to should only be those relating to the Civil Administration and should not include those arising directly or indirectly, or partially, from the occupation of the area as a Military Station. Secondly, as regards the inclusion of "special grants for development purposes" under "administrative needs", I am to submit that a clear understanding as to the character of the schemes in view and the principles on which grants would be made is very necessary if the position of the Mysore Government in regard to the surplus revenue is not to be left in that state of uncertainty which, as you observe, has been an unfortunate element of the problem in the past, and which, they feel sure, it is as much the desire of the Government of India as their own to avoid. They loyally accept the decision of the Government of India that the latter are the sole arbiters as to the nature and extent of the "administrative needs" of the Tract, which "constitute a first charge on its revenues", but at the same time, they trust the Government of India will, as in the past, permit them to make representations as to the application of this principle in individual cases that come up for their decision.

As regards the schemes of improvement in respect of which Rs. 20¾ lakhs have been withheld His Highness's Government desire very respectfully to point out that in according sanction to their being financed from the surplus revenues of the Station, certain important considerations seem to have been overlooked which, if this Government had been afforded timely opportunity, they would have brought to the notice of the Government of India. These schemes

are, for the most part, municipal schemes which will enable the Municipal Commission of the Civil and Military Station to derive additional municipal revenues. For instance, the market scheme is estimated to cost nearly Rs. 4¼ lakhs. No doubt, the Municipal Commission expects to derive a very handsome revenue from this new market. Again, a sum of Rs. 1,15,000 is proposed to be spent for a Pumping plant in connection with the Grass Farm Sewage scheme and from another communication it is learned that the Municipal Commission expects to make an annual profit of Rs. 35,000 over this scheme. It is the universal practice for local bodies themselves to finance such schemes out of their own resources or by raising loans, and His Highness' Government fail to see any justification for a departure from this accepted principle. Even in regard to schemes of improvement that are not of a revenue producing character, it is rarely that a Local Government or Administration will undertake to meet their entire cost. They are generally municipal schemes, for which the Government may make contributions with due regard to their urgency, the amount put in by the Municipal Council, and the Government's own financial resources and obligations. It is not reasonable that the territorial revenues accruing to the credit of the Sovereign rights of the territory should be diverted for the purpose of development schemes of a local body like the Municipal Commission, for that would mean that the Municipal Commission, without any incentive for developing its own resources, can always rely upon the surplus revenues which are payable to the Mysore Government. A great portion of the proposed expenditure of Rs. 21½ lakhs is on account of two housing schemes estimated to cost Rs. 4½ lakhs and Rs. 7¼ lakhs respectively.

There is no information as to whether the Municipal Commission is meeting any part of the cost, or as to whether these figures represent the estimates of gross expenditure on the schemes or the net cost after deducting the realisations by the disposal of houses and sites. In the former case the realisations will be in the nature of a present to the Municipality. If, however, the figures represent the net cost of the schemes it has to be remarked that the two schemes which are proposed to be taken up at a cost of Rs. 11¼ lakhs simultaneously with other large schemes costing 9 lakhs in the aggregate, are of such magnitude in comparison with the resources of the Assigned Tract and the normal activities of the Municipal Commission as would probably never have been contemplated but for the accumulation for three years of the surplus revenues payable to the Mysore Government.

His Highness's Government should not be understood to mean that they are opposed to reasonable expenditure on the educational, medical and sanitary needs of the Station, coming under the normal civil administration being met from the revenues of the Station "in proportion to their capacity to meet it," but they feel that they have a right to demur to schemes of such magnitude, and to revenue producing schemes relating to the Municipality, being met out of the Assigned Tract Revenues.

As regards the future, His Highness' Government observe that the orders now communicated provide for their being consulted, -informally- by the Resident in regard to important schemes if the latter considers that their interests are affected otherwise than by merely reducing the surplus. While gratefully acknowledging the desire

shown by the Government of India to meet the whises of the Mysore Government to be consulted in schemes of importance, His Highness' Government desire to urge that the restrictions with which this provision has been hedged detract from its value. If the decision as to whether a scheme is one in regard to which the Mysore Government should be consulted is left to the Resident, there is at once an element of doubt and uncertainty introduced into the arrangement. As the officers in charge of the Administration of the Station in its several departments and the local Municipal Commission will be in close touch with the Resident, there will always be room for the fear that important schemes which they are interested in, and which affect the Mysore Government even apart from merely reducing the surplus, may be carried through without the Mysore Government having an opportunity of expressing and explaining their point of view. This is a position which is undesirable to create and is not calculated to promote mutual understanding and harmonius relations. As the Government of India are the final arbiters, there could be no disadvantage, but on the other hand there is everything to be gained- by <u>all</u> important schemes of improvement in the Civil and Military Station being referred to the Mysore Government for an expression of their views, before the schemes are submitted for the sanction of the Government of India, who will then be in a position to be assured that all possible points of view are before them. In regard to most of the schemes previous reference to and consultation with the Mysore Government cannot but be to the advantage of all concerned in view of the intimate relations between the Civil and Military Station and the rest of the State, by avoiding duplication of effort

and expenditure.

The procedure now proposed contemplates the recommendations of the Municipal Commission of the C & M. Station in regard to development schemes being considered by the Government of India along with those of the Resident. A Municipal Commission or other local body cannot surely claim the right to make recommendations for the disposal of surpluses accruing to the Government under territorial revenues. The Municipal Commission is an interested party; it is to its advantage to get as large a share of the territorial revenues as possible so as to reduce its taxation and improve its civic amenities, and the larger the surplus revenue, the greater will be the temptation to the Municipal Commission to put forward schemes of development. The grant of subventions from territorial revenues is, as already submitted, dependent on the financial obligations of the Central Government receiving such territorial revenues, and when the whole of the surplus after meeting the reasonable needs of the administration are payable to another Government it cannot be a satisfactory arrangement to permit an interested third party like the Municipal Commission to have any voice in the matter. At any rate, it will surely be recognised that the consideration that is proposed to be shown to the Municipal Commission should be extended to the Government of His Highness the Maharaja who is equally interested with the Government of India in the equable development of all parts of his territories, including the Assigned Tract. His Highness' Government therefore request that the Government of India may be pleased to slightly modify the procedure indicated in paragraph 7 of your letter, by substituting the words "after considering the recommendations of the Resident, and the representa-

tions, if any, of the Mysore Government", for the words "after considering the recommendations of the Resident and the Municipal Commission"; and by omitting the words "if the Resident considers that their interests are affected otherwise than by merely reducing the surplus"; and I am to express the earnest hope that the Hon'ble the Resident will recognise that the modification will be conducive to the removal of doubt and friction and will be pleased to support His Highness's Government in this request.

The Government of His Highness are anxious that this long pending controversy should be finally settled in a manner satisfactory to the local administration and to the Government of India as well as to themselves, and they have therefore resolved to accept the principles and procedure indicated in paragraphs 5,6 and 7 of your letter subject to the modification of 7 indicated above, and on the understanding that expenditure on schemes of improvement not falling under the ordinary obligations of the Civil Administration will not be allowed to be a charge on the surplus. Whether a sum scheme of improvement falls under this category or is one proposed in view of the requirements of the troops occupying the Cantonment, or is a Municipal scheme properly to be financed from Municipal revenues, would be a question of fact which the Government of India can themselves judge. One important test would doubtless be whether schemes of a like nature would be sanctioned by otherlocal Governments for areas similarly situated as schemes to be met from ordinary revenues..

As regards the schemes for which Rs 20¾ lakhs have been withheld, I am to urge that the only sati-

factory solution is to apply these same principles and procedure. The fact that sanction of the Government of India has been already accorded to these schemes should not stand in the way of due consideration being shown to the position of the Mysore Government in accordance with the principles which the Government of India now resolve upon as equitable and proper in respect of the future. His Highness's Government hope to be able to convince the Government of India that some at least of the expenditure on these schemes cannot properly be regarded as falling under the administrative needs of the Station, and should be met by the Municipal Commission from their own resources or with the help of an advance from Central revenues, or by themselves raising a debenture loan.

Before concluding, I am to refer to the views expressed by the Hon8ble the Resident in the extracts (paragraphs 2 to 13 of his D.O. letter No. C 766/211 dated the 12th November 1920 to the Political Secretary to the Government of India) furnished as an enclosure to Major Plowden's letter No. C.1777/211 dated the 22nd April 1922, which are said to represent the views of the Government of India and have now been asked to be treated as forming part of the official correspondence on the subject of the surplus revenues. His Highness's Government believe that the views of the Government of India have since undergone a substantial change, and they would therefore prefer not to enter on an examination of the position taken up by Mr. Barton in his letter of the 13th November 1920 as not very material at the present stage of the discussion; but they wish only to place it on record that these views cannot be accepted or acquiesced in by them.

I have etc.,

Financial Secy. to Govt.